

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 IO-10 CIAE-00 PM-03 INR-07 L-02 ACDA-10

NSAE-00 PA-02 PRS-01 SP-02 USIA-15 TRSE-00 SAJ-01

DODE-00 EB-07 AID-05 CEA-01 COME-00 EA-10 FRB-01

NEA-09 OPIC-06 CIEP-02 LAB-04 SIL-01 OMB-01 ABF-01

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P R 191617Z APR 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 6650

INFO USMISSION NATO

UNCLAS OECD PARIS 10017

FOR IO/EX (SOUTHWORTH) AND EUR/RPE (LEVINE)

E.O.11652:N/A

TAGS: AORG, OECD

SUBJECT: 144TH MEETING COORDINATING COMMITTEE OF
GOVERNMENT BUDGET EXPERTS.

REF: USNATO 2056

1. BEGIN SUMMARY: AT 144TH MEETING OF CCG, COMMITTEE
EXAMINED REMAINING UNRESOLVED ISSUES ON PENSION RULES-
COSTS FOR VALIDATION OF PRIOR SERVICE, DISPOSITION OF
PROVIDENT FUND HOLDINGS USED TO VALIDATE PAST SERVICE
CREDIT, AND TAX ARRANGEMENTS TO BE APPLIED TO PENSIONS.
RESTRICTED WORKING PARTY WILL MEET IN BRUSSELS
APRIL 23 TO ATTEMPT RESOLVE DEADLOCK ON VALIDATION
COSTS. END SUMMARY.

ACTION REQUESTED: REQUESTS INSTRUCTIONS PARA 2 BY COB
APRIL 22 AND INSTRUCTION ON OTHER ITEMS PRIOR NEXT CCG
MEETING MAY 15TH.

2. DRAFT REGULATION ON TAX ARRANGEMENTS FOR PENSIONS
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FOLLOWS GUIDELINES SET OUT IN 109TH CCG REPORT. SOLE

POINT OF CONTENTION IS US POSITION, WITH TOKEN SUPPORT FROM ITALIAN DELEGATE, THAT ADJUSTMENTS COULD BE MADE ONLY IF THE PENSIONER RETIRED IN A MEMBER COUNTRY OF THE ORGANIZATION MAKING THE PENSION PAYMENT. MISSION DOES NOT BELIEVE US SHOULD BE PLACED IN POSITION, HOWEVER REMOTE, OF MAKING A CONTRIBUTION TO GROSS UP PENSION FOR PENSIONERS FROM ANY COORDINATED ORGANIZATIONS BESIDES NATO AND OECD.

3. 94TH REPORT OF CCG CALLED FOR THE VALIDATION OF PRIOR SERVICE BY A PAYMENT CORRESPONDING TO THE CONTRIBUTIONS PAID INTO THE FUND (21 OF SALARY PAID EACH YEAR) PLUS COMPOUND INTEREST AT 4 PERCENT PER ANNUM. BELGIUM AND CANADA, WITH PRO-FORMA SUPPORT FROM UK AND GERMANY, EXPRESSED CONCERN OVER INEQUALITIES IN VALIDATION COSTS BETWEEN EMPLOYEES FROM DIFFERENT COUNTRIES AND FACT THAT SOME AGENTS MIGHT BE ABLE TO VALIDATE FULL CREDIT BY USING ONLY ABOUT 70 PERCENT OF THEIR PROVIDENT FUND HOLDINGS. NO CONCRETE PROPOSALS FOR CHANGE MADE EXCEPT FOR CANADIAN DELEGATE'S PROPOSAL TO USE A UNIT OF ACCOUNT IN CALCULATING VALIDATION COSTS. SECRETARIES-GENERALS MADE VIGOROUS AND LENGTHY CASE FOR RETAINING FORMULA APPROVED IN 94TH REPORT AND THEY RECEIVED STRONG SUPPORT FROM FRENCH AND ITALIAN DELEGATES FOR RETENTION FORMULA. SINCE UNANIMITY COULD NOT BE REACHED, RESTRICTED WORKING PARTY (MASSBERG US, CANADA UK, PLUS REPRESENTATIVE FROM OECD AND NATO) WILL MEET APRIL 23 IN BRUSSELS, TO SEEK ACCEPTABLE SOLUTION. SINCE FORMULA FOR VALIDATION WAS APPROVED IN 94TH CCG REPORT, SOME EMPLOYEES IN OECD HAVE ALREADY VALIDATED PRIOR SERVICE, AND A CHANGE AT THIS LATE DATE WILL LIKELY ELICIT STRONG AND UNFAVORABLE REACTIONS IN STAFF ASSOCIATIONS, PARTICULARLY AT OECD, MISSION RECOMMENDS AUTHORIZATION RETAIN EXISTING FORMULA. HOWEVER, SINCE A NUMBER OF EMPLOYEES WILL BE ABLE TO RETAIN SIGNIFICANT AMOUNTS OF THEIR PROVIDENT FUND HOLDINGS AFTER VALIDATION COSTS MET, MISSION BELIEVES THIS POSITIVE ASPECT OF THE PENSION SCHEME SHOULD BE REFLECTED IN THE REPORT TO COUNCILS AS A USEFUL COUNTER BALANCE AGAINST SECRETARIES-GENERALS AND STAFF ASSOCIATION COMPLAINTS ABOUT WHAT THEY

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CONSIDER UNFAVORABLE ASPECTS OF PENSION SCHEME (TREATMENT OF TAXATION SCHEME, LEAVING ALLOWANCE AND REVERSIONARY RIGHTS FOR WIDOWERS).

4. UK DELEGATE PROPOSED (CCG/W(75)16) THAT AMOUNTS PAID FOR VALIDATION BE PLACED IN A SPECIAL GOVERNMENT ACCOUNT IN THE RESPECTIVE PROVIDENT FUND AND SHOULD BE LIQUIDATED AS SOON AS POSSIBLE CONSISTENT WITH THE ORDERLY PHASE DOWN OF THE PROVIDENT FUNDS. IN MOST

ORGANIZATIONS THE LIQUIDATION COULD BE CARRIED OUT IN ANNUAL STAGES, WITHIN FIVE YEARS AND THE FUNDS SO LIQUIDATED WOULD BE RETURNED TO MEMBER GOVERNMENTS. MISSION RECOMMENDS ACCEPTANCE THIS PROPOSAL AS IT ASSURES THAT THESE FUNDS WILL BE RETURNED TO GOVERNMENTS AND COULD NOT BE TREATED IN ANY WAY AS MISCELLANEOUS INCOME TO ORGANIZATION BUDGETS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 19 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP10017
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750138-0348
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750434/aaaabfor.tel
Line Count: 123
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 USNATO 2056
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 01 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 JUL 2003 by SilvaL0>; APPROVED <02 FEB 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: 144TH MEETING COORDINATING COMMITTEE OF GOVERNMENT BUDGET EXPERTS.
TAGS: AORG, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006